

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
(317) 232-9855

**FISCAL IMPACT STATEMENT**

**LS 6931**

**BILL NUMBER:** SB 306

**DATE PREPARED:** Dec 29, 2001

**BILL AMENDED:**

**SUBJECT:** Credit Union Conversions.

**FISCAL ANALYST:** Chris Baker

**PHONE NUMBER:** 232-9851

**FUNDS AFFECTED:** ☒ **GENERAL**  
☒ **DEDICATED**  
**FEDERAL**

**IMPACT:** State & Local

**Summary of Legislation:** This bill allows a mutual savings association to convert into a credit union. The bill allows a mutual savings bank to convert into a credit union.

**Effective Date:** July 1, 2002.

**Explanation of State Expenditures:** The Department of Financial Institutions would experience an increase in expenditures in order to carry out the provisions of the bill. Depending on the actual number of conversions, it is possible that the Department could face an increase of up to 20% in the amount of annual examinations performed on state-chartered credit unions. As of December 3, 2001, the Department had 67 full-time employees, including 30 financial examiners on staff.

The seven-member Financial Institutions Board met eight times in 1999, at least six times in 2000, and seven times through November of 2001. If additional rules were necessary in order to carry out the provisions of the bill, the Board could incorporate the adoption of the rules during the normal course of business. Currently, Board members receive approximately \$153 per meeting (based on eight meetings per year). Total cost for salary for members to meet in a given year is approximately \$28,000. (Current law requires a salary for Board members of \$4,000 per year.) Additionally, each member is entitled to receive actual and necessary travel and other expenses incurred in the performance of the member's duties.

**Explanation of State Revenues:** Currently, there are 56 state-chartered credit unions. As of December 12, 2001, the Department of Financial Institutions reported that there are ten specific chartered financial institutions in the state that would qualify under the bill to convert into a credit union, if approved by the Department.

In order to convert, the financial institution desiring to convert would have to submit a plan of conversion for the Department for approval. If the approval is granted, the approved financial institution would be

required to file a \$30 fee with the Office of the Secretary of State for declaring articles of conversion to a credit union.

If all ten of the financial institutions in question were to convert to a credit union, a total of \$300 in revenue for filing fees would be collected by the Office. If further fees are collected by the Department for examination fees as a credit union, each converting institution would be required to pay a minimal annual fee of \$600 ( $\$600 \times 10 = \$6,000$  in potential fees collected). However, the fee may be higher depending on the total amount of assets the credit union holds. Fees collected for credit union examinations are deposited into the Financial Institutions Fund. However, revenue collected in new credit union fees could be offset by the examination fees converting financial institutions are currently paying on an annual basis. In FY 2001 the Department collected \$540,285 in credit union fees.

*Financial Institutions Tax:* The Financial Institutions Tax (FIT) is calculated differently for mutual savings banks and credit unions. A conversion from a mutual savings association/bank to a credit union could effect the amount of taxes paid into the FIT. The revenue collected under the FIT is distributed to local units of government according to a prescribed calculation, and the remaining revenue is deposited in the state General Fund. In FY 2001, local units of government received \$42.8 M in FIT revenue, and the state General Fund received \$12.8 M.

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:**

**State Agencies Affected:** Department of Financial Institutions, Office of the Secretary of State.

**Local Agencies Affected:**

**Information Sources:** Kirk Schreiber, Department of Financial Institutions, (317) 233-4351; State of Indiana, *HRM Detail Staffing Report 12/3/01*; *Indiana Handbook of Taxes, Revenues, and Appropriations FY 2001*.